

CAPE METROPOLITAN TRANSPORT FUND

**Audited Annual Financial Statements
for the year ended 30 June 2017**

TABLE OF CONTENTS

The reports and statements listed below comprise the audited annual financial statements presented to the core City, the City of Cape Town.

<i>Index</i>	<i>Page</i>
Report of the Auditor-General	2
Financial Report and Approval of Annual Financial Statements	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Notes to the Financial Statements	10
Detailed Schedule of Unspent Conditional Grants	14

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REPORT OF THE AUDITOR-GENERAL

to the Council of the City of Cape Town on the Cape Metropolitan Transport Fund

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Cape Metropolitan Transport Fund set out on pages 6 to 13, which comprise the statement of financial position as at 30 June 2017, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Cape Metropolitan Transport Fund as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Urban Transport Act of South Africa, 1977 (Act No. 78 of 1977) (UTA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the fund in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedule

7. The supplementary information set out on page 14 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer

8. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the UTA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting officer is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

REPORT OF THE AUDITOR-GENERAL

**to the Council of the City of Cape Town on the Cape Metropolitan Transport Fund
(continued)**

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Auditor-general's responsibilities for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

12. The fund is not required to prepare a report on its performance against predetermined objectives as it does not fall within the ambit of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and such reporting is also not required in terms of the entity's specific legislation.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the fund with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
14. I did not raise material findings on compliance with the specific matters in key legislation as set out in the general notice issued in terms of the PAA.

Internal control deficiencies

15. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Auditor-General

Cape Town

30 November 2017



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



ANNEXURE: AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and on the fund's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a fund to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

FINANCIAL REPORT & APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2017

LEGISLATIVE FRAMEWORK

The Cape Metropolitan Transport Fund ("the Fund") was created in terms of Section 18 of the Urban Transport Act, Act 78 of 1977. The administration of the Fund vests with the core City which is the City of Cape Town.

BUSINESS ACTIVITIES

The principal activity of the Fund is to promote the planning and provision of adequate urban transport facilities and all incidental matters.

STATEMENT OF RESPONSIBILITIES

The Fund Administrator is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP. This responsibility includes the maintenance of adequate accounting records and the application of appropriate accounting policies.

The Fund Administrator is also responsible for the Fund's system of internal financial control and to account for the Fund's assets and liabilities to provide reasonable assurance as to the reliability of the financial statements. Nothing has come to the attention of the Fund Administrator to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis.

REVIEW OF OPERATIONS

The financial statements adequately reflect the results of the operations for the year under review and no further explanations are considered necessary, except that the Fund only acts as a funding vehicle for certain specified expenditure projects within the City and therefore the Fund does not have its own performance indicators.

The City has established a Metropolitan Land Transport Fund (MLTF) in terms of Section 27 of the National Land Transport Act, Act 5 of 2009. The Commissioner of the City's Transport and Urban Development Authority has requested that all national and provincial grant funding allocations previously allocated to the Fund henceforth be allocated to the MLTF. This request was approved. The Fund continues to operate as a going concern as it can only be wound down once the act, in terms of which it was created, is repealed.

EVENTS SUBSEQUENT TO YEAR-END

There have been no facts or circumstances of a material nature that have occurred between the reporting date and date of this report.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements which appear on pages 6 – 13 were signed by the City Manager on behalf of the core City, the City of Cape Town.



Date: 30 August 2017



STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Notes	2017 R	2016 R
ASSETS			
Current Assets			
Inter Administrator Fund	2	15 140 796	20 735 048
TOTAL ASSETS		15 140 796	20 735 048
NET ASSETS AND LIABILITIES			
Net Assets			
Accumulated Funds		12 474 355	10 513 114
Current liabilities			
Unspent Conditional Grants	3	2 666 441	10 221 934
TOTAL NET ASSETS AND LIABILITIES		15 140 796	20 735 048

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2017

	2017 R	2016 R
REVENUE		
Non-Exchange Transactions		
National Department of Transport	84 587	-
Exchange Transactions		
Rentals	2 544 008	2 251 778
Finance income	820 772	583 305
Sundry Income	445 376	499 809
TOTAL REVENUE	3 894 743	3 334 892
EXPENDITURE		
Implementation		
Dial-a-ride	1 811 207	1 527 890
Public Transport Interchange	215 585	-
Public Transport Projects	-	1 219 921
Traffic Safety Bureau Projects	1 018 212	-
Other Projects	-	307 969
Audit Fees	577 410	-
	122 295	156 674
TOTAL EXPENDITURE	1 933 502	1 684 564
SURPLUS FOR THE YEAR	1 961 241	1 650 328

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 30 June 2017

**Accumulated
Funds**
R

2016

Balance at 1 July 2015	8 862 786
Surplus for the year	1 650 328
Balance at 30 June 2016	10 513 114

2017

Balance at 1 July 2016	10 513 114
Surplus for the year	1 961 241
BALANCE AT 30 JUNE 2017	12 474 355

CASH FLOW STATEMENT

for the year ended 30 June 2017

	Notes	2017 R	2016 R
CASH FLOW FROM OPERATING ACTIVITIES			
Payments from contributors		8 668 223	529 827
Subsidies and transfers		(9 488 995)	(1 113 132)
Cash utilised by operations	4	(820 772)	(583 305)
Finance income		820 772	583 305
NET CASH FROM OPERATING ACTIVITIES		-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. STATEMENT OF ACCOUNTING POLICIES

The following are the principal accounting policies of the Cape Metropolitan Transport Fund ("the Fund"), which are in all material aspects consistent with those applied in the previous financial year. The historical cost convention has been used, except where stated otherwise. In the process, management has not made any significant accounting judgments, estimates or assumptions and thus there has been no significant effect on the amounts recognised in the financial statements.

1.1. Basis of Presentation

These financial statements have been prepared in accordance with Standards of GRAP issued by the Accounting Standards Board (ASB) and approved by the Minister of Finance as effective. The ASB has issued a directive which sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors. The Cash Flow Statement can only be prepared in accordance with direct method.

The financial statements have been prepared on the historical cost basis unless otherwise stated.

Details of the Fund's significant accounting policies are set out below and are consistent with those applied in the previous year.

1.2. Adoption of New and Revised Standards

In the current year, the Fund has adopted all new and revised standards and interpretations issued by the ASB that are relevant to its operations and are effective.

At the date of submission of these financial statements for the year ended 30 June 2017, the following approved Standards of GRAP were issued for which no effective dates have been determined yet:

- GRAP 20 - Related-party disclosures (revised)
- GRAP 108 - Statutory receivables
- GRAP 109 - Accounting by principals and agents

All the above standards, where applicable, will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that, other than additional disclosure, the impact of the standards on the financial statements will be minimal.

1.3. Critical Accounting Estimates and Judgements

In the process of applying the Fund's accounting policies, management has not made any significant accounting judgements, estimates or assumptions and thus there has been no significant effect on the amounts recognised.

1.4. Financial Instruments

Financial assets and financial liabilities are initially recognised on the Statement of Financial Position when the Fund becomes party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

1.5. Receivables

Trade and other receivables are recognised at fair value and subsequently stated at amortised cost.

1.6. Payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

1.7. Revenue: Non-Exchange and Exchange Transactions

Revenue is recognised net of indirect taxes and consists mainly of Government grants, net rentals, the net proceeds of the sale of information and interest received on funds held by the City of Cape Town.

Government grants and receipts are recognised as revenue and transferred to the Statement of Financial Performance in the year they are expended. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and the funds are invested until utilised.

Net rental income is brought into account upon notification by the City of Cape Town at the end of the financial year, of the amounts due to the Fund net of expenses.

Proceeds of information sold are transferred ex City of Cape Town.

Interest earned on funds which have been invested is treated in accordance with grant conditions. Interest earned on utilised conditional grants is allocated directly to the unspent conditional grant and is not recognised in the Statement of Financial Performance.

1.8. Unspent Conditional Grants

Unspent conditional grants are reflected on the Statement of Financial Position as current liabilities. These unspent grants and donations, are cash-backed and invested until utilised. Interest earned on the investments is treated in accordance with grant conditions.

1.9. Bank Account and Accounting System

The Fund uses the City of Cape Town's bank account and all transactions take place through the City of Cape Town's accounting and procurement systems.

1.10. Assistance

City of Cape Town staff performs all the functions of the Fund.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

	2017 R	2016 R
2. INTER ADMINISTRATOR FUND City of Cape Town	15 140 796	20 735 048

The inter administrator fund is interest bearing and is administered by the City of Cape Town as a ring-fenced investment within the City.

Its funds are available on demand to pay creditors. There is no material change in the exposure to credit risk. The inter administrator fund balance at year end represents approximately fair value.

The carrying amount represents the maximum credit exposure of the Fund.

Credit Risk

Credit risk is the risk of financial loss to the Fund if the City of Cape Town fails to meet its contractual obligations. The City limits its exposure to credit risk by only investing with reputable institutions that have a sound credit rating. Consequently, the Fund does not consider there to be any significant exposure to credit risk.

3. UNSPENT CONDITIONAL GRANTS

Provincial Government Western Cape	-	7 656 779
National Department of Transport	1 810 109	1 767 426
Public Contributions	856 332	797 729
	2 666 441	10 221 934

The unspent portion of the conditional grants will be spent in the following financial periods to the conclusion of the projects for which they were intended. No amounts are due for repayment to the donors for the reason set out above.

4. CASH UTILISED BY OPERATIONS

Net surplus for the year	1 961 241	1 650 328
Adjustments for :		
Interest Received	(820 772)	(583 305)
Operating (deficit)/surplus before working capital changes:	1 140 469	1 067 023
Increase/(Decrease) in payables	(7 555 493)	571 432
(Increase)/Decrease in Administrator Fund	5 594 252	(2 221 760)
Cash utilised by operations	(820 772)	(583 305)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

2017
R

2016
R

5. RELATED PARTIES

The City of Cape Town was designated as the core City and, as such, administers the Fund in terms of Section 17 of the Urban Transport Act, Act 78 of 1977.

The City of Cape Town, as the fund administrator, deposits all Fund monies into the City of Cape Town's bank account.

Balance of funds held by the City at 1 July	20 735 048	18 513 288
Balance of funds held by the City at 30 June	15 140 796	20 735 048

During the year, the Fund entered into the following arm's length transactions with related parties:

Claims paid to the City of Cape Town	1 811 207	1 527 890
Interest paid on balances held by the City to the Fund	1 095 978	1 214 737
Net Revenue collected by the City on behalf of the Fund from:	2 989 384	2 751 587
Net Rentals	2 544 008	2 251 778
Sundry Income	445 376	499 809

6. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

No significant events occurred after statement of financial position date.

DETAILED SCHEDULE OF UNSPENT CONDITIONAL GRANTS

as at 30 June 2017

	Balance 01 July 2016 R	Receipts/ Transfers R	Interest Received R	Disbursements/ Transfers R	Balance 30 June 2017 R
Bicycle and Pedestrian facilities	646 370		7 541	653 911	-
Comprehensive Integrated Transport Plan	3 313 168		38 655	3 351 823	-
General PTI improvements	947 498		11 055	958 553	-
Dial-a-Ride	26 013		304	26 317	-
Security at PTI's	6 152		72	6 224	-
Public Transport Restructure Plan	1 233 648		14 393	1 248 041	-
Metropolitan Transport Authority Investigation	481 387		5 616	487 003	-
Rehabilitation Proclaimed metro roads	739 271		8 625	747 896	-
WCPT infrastructure upgrade 2010 Projects	263 272		3 072	266 344	-
Provincial Government Western Cape	7 656 779	-	89 333	7 746 112	-
ITS/TDM	101 307		7 442		108 749
Travel demand	5 009		368		5 377
PT Call centre	665		49		714
Vukuhambe project	1 290		95		1 385
Dial-a-Ride	40 278		1 685	41 963	-
EMME/2 Conference	215 585		15 837		231 422
Arrive Alive funds	439 919		32 318		472 237
Integrated Transport Plan	40 913		1 711	42 624	-
RDP Project: Wetton/Landsdowne Road dev study	57 543		4 227		61 770
Codatu VIII conference	69 685		5 118		74 803
Cape Town 2004 Summer Olympic Games	19 375		1 423		20 798
Rail operations - due diligence study	746 515		54 842		801 357
Modalink section 21 Co	29 342		2 155		31 497
National Department of Transport	1 767 426	-	127 270	84 587	1 810 109
CCTV project	254 533		18 699		273 232
Upgrading Bosmansdam road	45 665		3 353		49 018
Public Private Partnership: Private Sector	195 530		14 364		209 894
Contributions ex SANRAL	135 481		9 953		145 434
PRASA	166 520		12 234		178 754
Public Contributions	797 729	-	58 603	-	856 332
	10 221 934	-	275 206	7 830 699	2 666 441